

Report of Com  
on Corporations other  
than Municipal

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Oct 30. 188

Read ordered printed  
& laid on Table

Thornton  
as Recy

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Sacramento, Cal.  
October 30th, 1878.

Mr President:-

Your Committee on  
"Corporations other than Municipal"  
respectfully report:

That Resolutions  
and propositions Nos 301. 191. 192.  
175. 314. 122. 340. 344. 279. 213  
168. 114. 47. 41. 34. 139. 157. 13.  
50. 113. 5. 11. 82. 298. 58. 11. 374.  
353. 147. and 372, have been duly  
considered by your Committee and  
the same are reported back to the  
Convention with the recommendation  
that no further action be taken  
thereon as such portions of the  
above propositions deemed of  
value will be found in the  
Article on Corporations accom-  
panying this report.

Your Committee  
recommend that a separate  
Article on "Corporations  
other than Municipal" be  
embodied in the Constitution  
to be subdivided into

"Corporations in general" and  
"Railroad Corporations"

Your Committee respectfully  
submit Twenty-three Sections forming  
an Article on the subject of  
Corporations other than Municipal  
and ~~respectfully~~ recommend  
their adoption.

M M Estee Chairman

Jm M Rhodes

~~C. G. Chapman~~

J H Ward

~~P. Dunnigan~~

John P. West

W. W. Schell

Valley

~~J. D. Webster~~

Chas F. Reed

Geo Scile

Ed C Boggs

Patrick Reeder

Am No 444

Relative to Corporations  
other than Municipal

Oct 30. of 18

Read and ordered printed  
& laid on table

Oct 7/78

Thomson

Considered and ~~assess~~  
awarded in Council  
of whole placed  
on expense bill

E. H. Smith  
ass't

Corre on Corporations  
other than Municipal

## Article ~~number~~ 1 Corporations

Sec. 1. Corporations may be formed under general laws, but shall not be created by special Act. All laws passed pursuant to this section may be altered from time to time, or repealed.

Sec. 2

Dues from corporations  
shall be secured by such individual  
liability of the corporations and  
other means as may be prescribed  
by law.

Sec. 3.

Each stockholder of a corporation or joint stock association shall be individually and personally liable for his proportion of all its debts and liabilities.

## Sec. 4

The term corporations, as used in this article, shall be construed to include all associations and joint stock companies having any of the powers or privileges of corporations not possessed by individuals or partnerships. And all corporations shall have the right to sue, and shall be subject to be sued in all Courts, in like cases as natural persons.

Sec. 5

The Legislature shall have no power to pass any act granting any special charter for banking purposes; but corporations or associations may be formed for such purposes under general laws; but no corporation or association shall make, issue, or put in circulation any bill, check, ticket, certificate, promissory note, or other paper to circulate as money in this state, except the lawful money of the United States.

Sec. 6.

All existing charters, grants, franchises, special or exclusive privileges under which an actual and bona fide organization shall not have taken place, and business been commenced in good faith at the time of the adoption of this Constitution shall thereafter have no validity.

Sec. 7.

The Legislature shall not extend any franchise or charter, or remit the forfeiture of any franchise or charter of any corporation now existing or which shall hereafter exist under the laws of this State.

Dec. 8

19

The exercise of the right  
of Eminent Domain shall never  
be<sup>so</sup> abridged, or construed as  
to prevent the Legislature from  
taking the property and franchises  
of incorporated companies, and  
subject them to public use the  
same as the property of individuals,  
and the exercise of the police  
power of the State shall never  
be<sup>so</sup> abridged or construed as  
to permit corporations to conduct  
their business in such manner  
as to infringe the equal rights  
of individuals, or the general  
will being of the State.

Sec 9

No corporation shall engage in business other than that expressly authorized in its charter, or the law under which it may have been or <sup>may</sup> hereafter ~~may~~ be organized; nor shall it hold any real estate for a longer period than five years, except such as may be necessary for carrying on its business, or which is incident thereto.

Sec. 10.

The Legislature shall not pass any law permitting the leasing or alienation of any franchise so as to relieve the franchise or property held thereunder from liabilities of the lessor or grantor, lessee or grantee contracted or incurred in the operation, use or enjoyment of such franchise or any of its privileges.

Sec. 11

No corporation shall issue stock or bonds except for money paid labor done or property actually received, and all fictitious ~~issues~~ <sup>increase</sup> of stock or indebtedness shall be void. The stock and bonded indebtedness of corporations shall not be increased except in pursuance of general law, nor without the consent of the persons holding the larger amount in value of the stock first obtained at a meeting called for that purpose, first giving sixty days public notice as may be provided by law.

13

Sec. 12

The Legislature shall provide by law that in all elections for Directors or Managers of incorporated companies every stockholder shall have the right to vote in person or by proxy for the number of shares of stock owned by him for as many persons as there are Directors or Managers to be elected, or to cummulate said shares and give one candidate as many votes as the number of Directors multiplied by the number of his shares of stock shall equal, or to distribute them on the same principle among as many candidates as he shall think fit, and such Directors, or Managers shall not be elected in any other manner.

Sec. 13.

The State shall not subscribe to, or be interested in the stock of, or in any manner loan its credit to any person, company, association, or corporation.

Sec. ~~14~~ 14.

Every Corporation organized or doing business in this State under the Laws or authority thereof shall have and maintain ~~an~~ office or place in this State for the transaction of its business, where transfers of Stock shall be made, and in which shall be kept, for public inspection, books in which shall be recorded the amount of Capital Stock Subscribed, and by whom; the names of the owners of its stock, and the amounts owned by them respectively; the amount of Stock paid in and by whom; the transfers of said Stock; the amount of its assets and liabilities, and the names and place of residence of its officers.

# Railroads.

Sec. 15

All railroads, canal, and transportation companies shall be common carriers & subject to legislative control.

Any association, or corporation organized for the purpose shall have the right to construct, and operate, a railroad between any points within this state, and to connect at the state line with railroads of other states. Every railroad company shall have the right with its road to intersect, connect with, or cross any other railroad, and shall receive, and transport each other's passengers, tonnage, and cars loaded, or empty without delay or discrimination.

Sec. 26

No President, director,  
officer, agent, or employe of  
any railroad or canal company  
shall be interested, directly or  
indirectly, in the furnishing of  
material, or supplies to such  
company, or in the business of  
transportation as a common  
carrier of freight or passengers  
over the works owned, leased,  
controlled, or worked by such  
company.

Sec. 47

No ~~railway or~~ railroad ~~company~~ or other transportation company shall grant free passes, or passes or tickets at a discount to any person holding any office of honor, trust, or profit in this state; and the acceptance of any such pass or ticket, by a member of the Legislature, or any ~~other~~ officer, shall be a forfeiture of his office.

Sec § 18

~~If states not be lawful for any~~  
110 railroad company or other common  
~~carrier shall make any~~  
Carrier ~~to~~ combine or contract with the  
owners of any vessel that leaves  
port or makes port in this State, or  
with any ~~other~~ common carrier by  
~~combination or carthook~~ doing the carrying  
which the earnings of one ~~party~~ are  
to be shared by the other ~~party~~ not  
doing the carrying.

Sec. 69

No discrimination in charges or facilities for transportation shall be made by any railroad or transportation Company between places or persons or in the facilities for the transportation of freight or passengers within this State, or coming from, or going to any other State. Persons and property transported over any railroad or by any transportation Company or individual shall be delivered at any station, landing, or port at charges not exceeding the charges for the transportation of persons and property of the same class in the same direction to any more distant station, port, or landing. Excursion and commutation tickets may be issued at special rates.

Sec. 20.

Three Railroad Commissioners shall be elected by the qualified voters of this State at the regular Gubernatorial elections and whose salary ~~specification~~ <sup>shall be fixed by law</sup> and ~~specification~~ <sup>shall be fixed by law</sup> term of office shall be four years.

They shall be qualified electors of this State, and shall not be interested directly or indirectly in any railroad corporation or other transportation company as stockholder, creditor, agent, attorney or employee, and the acts of a majority of said commissioners shall be deemed the act of said commission.

Said Commissioners shall have the sole power and it shall be their duty to correct abuses by railroad corporations or other transportation companies; establish rates of charges for the transportation of passengers and freight by railroad or other transportation companies, and publish the same from time to time with such changes as they may make; report to the Governor annually their proceedings and such other facts as may be deemed important;

~~Section~~  
hear and determine complaints against railroad or other transportation.

Companies; affix penalties and enforce them through the medium of the Courts, and perform such other duties as may be prescribed by law: nothing in this Section shall prevent individuals from maintaining actions against any of such companies.

It shall be the duty of the Legislature to confer all such further powers on the Board of Railroad Commissioners as shall be necessary to enable them to perform the duties enjoined on them in the foregoing Sections.

Sec ~~§~~ 21

The State shall be divided into three railroad districts as nearly equal in population as practicable, ~~in~~ <sup>from</sup> each of which one of the three railroad Commissioners shall ~~reside~~, <sup>be</sup> ~~and~~ shall be elected by the voters of said district.

Sec. 22.

Until the Legislature shall by law  
divide the state into railroad districts  
the following shall be the districts:

The first district shall be composed of  
the counties of Alpine, Amador, Butte,  
Calaveras, Colusa, Del Norte, El Dorado,  
Humboldt, Lake, Lassen, Mendocino, Modoc,  
Napa, Nevada, Placer, Plumas, Sacramento,  
Shasta, Sierra, Siskiyou, Solano, Sonoma,  
Sutter, Tehama, Trinity, Yolo and Yuba from  
which one railroad Commissioner shall be  
elected.

The second district shall be composed of  
the counties of Marin, San Francisco and  
San Mateo from which one railroad  
Commissioner shall be elected.

The third district shall be composed  
of the counties of Alameda, Contra  
Costa, Fresno, Inyo, Kern, Los  
Angeles, Mariposa, Merced, Mono,  
Monterey, San Benito, San Bernardino,  
San Diego, San Joaquin, San Luis  
Obispo, Santa Barbara, Santa Clara,  
Santa Cruz, Stanislaus, Tulare,  
Tuolumne and Ventura from which one  
railroad Commissioner shall be  
elected.

Sec. 23

The Legislature shall pass all laws necessary for the enforcement of the provisions of this Article.

M M Estee. chairman

C. E. Steward

J. W. Winans

Geo. M. Rhodes

I. S. Parker

John P. West

W. H. Schell

Val Long

J. T. Webster

Chas F. Reed

Geo. Steele

H. C. Bogg

B. W. Reddy

Minority Report

~~of  
Committee on  
corporations  
other than  
Municipal~~

<sup>3</sup> On 9/18  
Read Sandan  
table ordered  
printed

Thomson  
as per

See on table & be present

43d. Day

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~~Minority Report of Committee on  
Corporations other than Municipal~~

Body

To the Hon. President of the Con-  
vention.

A minority of the above Committee,  
while agreeing in the main with  
the Report of the majority herein,  
beg leave to submit their report  
recommending certain additional  
provisions and certain changes  
in the propositions recommended by  
the majority.

Point

1st

At the end of section 3 insert the  
following:

"The President, manager, and Direc-  
tors or Trustees of Savings Banks or Trust  
Companies or any corporation for the deposit  
and loan of money shall be individually  
and severally liable for any and all  
misappropriation of the funds entrusted  
to them, or any neglect or abuse in the  
administration of their trust."

2d

At the end of section 5 insert the fol-

loving

"All laws passed pursuant to this section may be altered from time to time or repealed. It shall be the duty of the Legislature to pass laws for the regulation and control of corporations formed under this section; to protect depositors of Savings Banks; to prohibit loans by the officers to themselves, or their partners, or the receipt by officers of commissions; to prohibit discriminations between borrowers on account of difference in the amounts borrowed; to prohibit exactions by Attorneys of Savings Banks from intending borrowers; and to regulate by law the salaries paid the officers of Savings Banks.

3<sup>d</sup>  
3-5

In Section 8 after the word "Companies" in line 3 insert the words "at their own valuation, as made for the purpose of taxation".

4<sup>th</sup>  
4 "

At the end of Section 12 insert the following

"Provided that ~~corporations may be formed under general laws as co-operative plan~~

"Provided, that Co-operative societies may be formed under general laws, which may provide by by-laws of their own for limiting the representation of shareholders of their stock, and the number of shares that may be held; and the Legislature shall enact such laws as may be necessary for their faithful management and protection, and may limit the liabilities of their members.

J. C. D.

5-<sup>th</sup>

- At the end of Section 14 insert the following:

"It shall be the duty of the Legislature to regulate by law the dealing in shares of stock of corporations; to prohibit margin and time sales; to prevent wash or pretended sales; to prohibit and punish the circulation of false reports to affect the price of shares of stocks; and to punish and prohibit combining or pooling means for the purpose of inflating or depressing the price of shares of stocks.

railroads, in this State; they shall have the sole power, and it shall be their duty,

In Section 15 after the word "Control" in  
line 2 insert the following

"Railways heretofore constructed or that  
may hereafter be constructed in this  
State, are hereby declared public highway,  
and shall be free to all persons for the  
transportation of their persons and  
property."

7<sup>th</sup>

In Section 20 after the word "Com-  
mission" in line 7 insert the follow-  
ing

"Said Commissioners shall have super-  
vision of all railroads, other than street  
railroads, in this State. They shall have  
the sole power, and it shall be their duty

*Marshall*

to establish rates of charge for the transportation of passengers and freight thereon, and publish the same from time to time, with such changes as they may make; they shall have power to correct abuses and violations of law by such railroad corporations, ~~to hear and determine complaints against~~ or other transportation companies; to hear and determine complaints against such railroad corporation or other transportation companies, <sup>and</sup> affix penalties and enforce them through the medium of the courts; ~~excluding the books and papers of, and such registered~~ corporations; administer oaths, and summon and examine witnesses; they shall report to the governor annually, their proceedings, and such other facts as may be deemed important; and shall perform such other duties and shall have such further powers as shall be imposed and conferred by law. Nothing contained in this section shall be held to ~~deny the right of action~~ against any such companies of any person or any other company.

Each of said Commissioners shall receive an annual salary of three

three thousand dollars. They shall be allowed one Secretary who shall receive an annual salary of one thousand eight hundred dollars.

*Albert Barnes*

*J. H. Price*

Ann to 5.09  
Supplementary  
Report of Committee  
on Corporations other  
than Municipal

Nov 15. '98

Read & ordered to  
lie on Table & be printed

Thornton  
and his

Nov 20/98

Taken from Table  
placed on Seal  
File. Smith  
as above

Com on Corporations

Sacramento Nov 15<sup>th</sup> 1878.

Mr President.

Your Committee on Corporations other than Municipal to whom were referred proposed Amendments No 451 introduced by Mr Hale, Amendment No 461 introduced by Mr Vacaquez, Amendment No 498 introduced by Mr Higley, have had the same under consideration and report them back with a recommendation that the same be indefinitely postponed.

The Committee recommends that Section 6 of the Article on Corporations submitted by the Committee on October 30<sup>th</sup> be amended so as to read as follows

Sec 6 All existing charters or grants ~~of~~ <sup>granted</sup> exclusive ~~to~~ <sup>of</sup> special privileges under which an actual and bona fide organization shall not have taken place and business been commenced in good faith at the time of the adoption of this Constitution shall thereafter have no validity.

The Committee also recommends that Sec 14 of the Article proposed by the Committee to read as follows

Amendment # 509, page 1 of 3

2

Sec 14 Every corporation other than religious, educational ~~and~~<sup>or</sup> benevolent organized or doing business in this State, shall have and maintain an office or place

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in this State for the transaction of its business, where transfers of stock shall be made, and in which shall be kept, for public inspection, books in which shall be recorded the amount of capital stock subscribed, and by whom ; the names of the owners of its stock, and the amounts owned by them respectively ; the amount of stock paid in, and by whom ; the transfers of said stock ; the amount of its assets and liabilities, and the names and place of residence of its officers.

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The Committee also recommends that the following words be added to Section 12.

Provided, that cooperative societies may be formed under general law, which may provide by by-laws of their own for limiting the representation of their share-holders of their stock, and the number of shares that may be held, and the Legislature shall enact such laws as may be necessary for their faithful management and protection and may limit the liabilities of their members.

The Committee further recommends the adoption of Amendment No 458 proposed by Mr Mc Connell

Amendment #509, page 2 of 3

to be known as Section 15, and that the numbering of the sections following be changed to correspond thereto - The section proposed reads as follows.

"No corporation organized outside the limits of this state shall be allowed to transact business within this state on more favorable conditions than are prescribed by law to similar corporations organized under the laws of this state. The Legislature shall enforce this section by appropriate legislation."

Respectfully,

W. W. Estee  
Chairman